

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

In re:

Case No. 15-45364

TELESOURCE SERVICES, LLC,

Chapter 11

Debtor.

Judge Thomas J. Tucker

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ORDER REQUIRING DEBTOR TO AMEND DISCLOSURE STATEMENT

On August 5, 2015, the Debtor filed a plan and disclosure statement, in a document entitled “Joint Combined Amended Plan of Liquidation and Disclosure Statement” (Docket # 154).¹ The Court cannot yet grant preliminary approval of the disclosure statement contained within this document (“Disclosure Statement”). The Court notes the following problems (some of which are minor), which the Debtor must correct.

First, Paragraph 2.1 of the Plan on page 10 appears to be missing some language. It states in relevant part:

The Claims of Group I shall consist of all Allowed Administrative Claims, including any taxes that qualify as Administrative Claims, quarterly fees for the United States Trustee, Professional Fees (including the fees owed to the **Debtor’s** and any other Professionals), and all other expenses that qualify as an Administrative Claim incurred during the pendency of the Case that have not been paid before the Effective Date in the ordinary course of the Debtor’s business or otherwise paid pursuant to a Court order.

¹ The Debtor states, on page 2 of the Plan: “The Debtor and the Committee are the joint proponents of this Plan within the meaning of Section 1129 of the Bankruptcy Code.” But the Debtor states, in footnote 1 on page 2 of the Plan: “Due to time constraints, the Committee did not have an opportunity to fully review the Plan or the Disclosure Statement prior to filing. In the event the Committee requires changes to the Plan or Disclosure Statement, it will submit those changes to the Court on or before August 12, 2015.” Because of this statement, the Court will deem the Plan to have been filed only by the Debtor.

(Emphasis added). It appears that Debtor intended to name one of its professionals after the bolded “Debtor’s.” Debtor must provide the missing language.

Second, with regard to each secured creditor, Debtor must state the amount of the claim without regard to the value of the collateral; the property securing the claim (if real estate, the full address, including city and state); the fair market value of the property securing the claim; whether any portion of the claim is unsecured; and if so, whether the secured creditor will have an unsecured deficiency claim, to be included and treated in the class of general unsecured claims; and if so, the amount of such unsecured claim. If more than one secured creditor has a lien on property, Debtors must state the priority of each secured creditor (*i.e.*, which creditor has a first priority lien and which creditor has a second priority lien). With regard to some of the secured creditors, Debtor has provided some, but not all, of this information.

Third, Debtor must make the following changes to Paragraph 3.1 of the Plan on pages 12-13, which describes the treatment of the Class I secured claim of The Huntington National Bank.

- Debtor must provide all of the information described in the “Second” paragraph of this Order.
- Debtor must state when payments will be made to The Huntington National Bank on its \$3,132,993 Allowed Claim. For example, Debtor must state how soon after the sale of the Collateral payment will be made.
- In Paragraph 3.1.2, on page 12, Debtor must change “Allowed Clam” to “Allowed Claim.”

Fourth, Debtor must make the following changes to Paragraph 3.3 of the Plan on page 13, which describes the treatment of the Class III secured claim of Mercedes Benz Financial

Services:

- Debtor must provide all of the information described in the “Second” paragraph of this Order.

- Debtor must modify the first sentence of Paragraph 3.3 of the Plan on page 13 so that it states: “Class III consists of the **Secured** Claim of Mercedes Benz Financial Services.”

Fifth, it appears that the claim of “Orchard Street Funding,” treated in Class V on pages 13-14 of the Plan, is an unsecured claim because under the Plan, it is to receive a Pro Rata share of the Creditor Trust, and it is not listed in the Plan as a secured creditor. However, in Paragraph 11 of Exhibit G of the Disclosure Statement on pdf. p. 42, Debtor states, in relevant part, that it obtained merchant financing from Strategic Funding Source, Inc. and Orchard Street Funding, LLC. Because Strategic Funding Source, Inc. is separately classified as a secured creditor, it appears that Orchard Street Funding may actually be a secured creditor with a claim that Debtor alleges is wholly unsecured. If this is so, Debtor must say so. With regard to the claim of “Orchard Street Funding,” Debtor must state: (1) the full name of this creditor - Orchard Street Funding, **LLC**; (2) the nature of the claim; (3) the amount of the claim; (4) whether the claim is a secured or unsecured claim (if Orchard Street Funding, LLC is a secured claim, Debtor must provide all of the information in Paragraph 2 of this Order regarding the claim); and (5) if the claim is unsecured, state why Debtor is separately classifying this claim from the claims of the other unsecured creditors.

Sixth, in Paragraph 3.6 of the Plan on page 14, Debtor must state who are the members of the Debtor and the percentage of the membership interests that each member holds. Although this information is provided in the Disclosure Statement in Paragraph A on pages 29-30, this information must also be included in Paragraph 3.6 of the Plan.

Seventh, Debtor must delete the word “pursuant” in the first sentence of Paragraph 4.2 of the Plan on page 14.

Eighth, in Paragraph C under the heading “Assets and Liabilities” on page 30 of the Disclosure Statement, Debtor states: “No potential claims or causes of action, including claims against insiders and avoidance actions, have been investigated. The Creditor Trust intends to investigate any Causes of Action and pursue them if appropriate.” Debtor must state whether it believes that it has any potential claims and causes of action, and what they are, and Debtor must estimate the value of those claims.

Ninth, in Paragraph C.1 on page 32 of the Disclosure Statement under the heading “Confirmation,” Debtor must change “VI.B” to “B.”

Accordingly,

IT IS ORDERED that no later than **August 19, 2015**, Debtor must file an amended combined plan and disclosure statement that is consistent with this Order.

IT IS FURTHER ORDERED that no later than **August 19, 2015**, Debtor also must file a redlined version of the amended combined plan and disclosure statement, showing the changes Debtor has made to “Joint Combined Amended Plan of Liquidation and Disclosure Statement” filed August 5, 2015.

Signed on August 12, 2015

/s/ Thomas J. Tucker
Thomas J. Tucker
United States Bankruptcy Judge